

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2654 - HB 2630

March 29, 2016

SUMMARY OF BILL: Increases the amount counties pay to the Office of the Comptroller for conducting audits, from \$0.30 per capita to \$0.36 per capita in FY16-17, with an additional three percent increase in each subsequent year.

Creates the Historic Property Land Acquisition Fund for the acquisition of land for any area designated as a historic place or of historic significance, for the acquisition of easements to protect the historic areas, for capital projects, including improvements and maintenance, of properties previously acquired, and for capital grants to other historic properties not owned or operated by the state.

Requires, beginning in FY15-16, 50 percent of the total annual growth in collections of the recordation tax imposed on all transfers of realty that is currently deposited in the Wetland Acquisition Fund (WAF), Local Parks Land Acquisition Fund (LPLAF), State Lands Acquisition Fund (SLAF), and Agricultural Resources Conservation Fund (ARCF), to be deposited as follows: 64 percent to the Tennessee Civil War or War Between the States Site Preservation Fund; and 36 percent to the Historic Property Land Acquisition Fund created by this Act.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$1,037,800/FY15-16 and Subsequent Years/

Tennessee Civil War or War Between the States Site Preservation Fund

\$583,800/FY15-16 and Subsequent Years/

Historic Property Land Acquisition Fund

\$230,900/FY16-17/General Fund

\$269,300/FY17-18/General Fund

\$307,800/FY18-19/General Fund

\$346,300/FY19-20/General Fund

Exceeds \$384,800/FY20-21 and Subsequent Years/General Fund

Decrease State Revenue –

\$658,800/FY15-16 and Subsequent Years/Wetland Acquisition Fund

\$354,700/FY15-16 and Subsequent Years/Local Parks Land Acquisition Fund

\$304,100/FY15-16 and Subsequent Years/State Lands Acquisition Fund

\$304,100/FY15-16 and Subsequent Years/Agricultural Resources Conservation Fund

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Increase Local Expenditures – \$230,900/FY16-17*
\$269,300/FY17-18*
\$307,800/FY18-19*
\$346,300/FY19-20*
Exceeds \$384,800/FY20-21 and Subsequent Years*

Assumptions relative to the Comptroller's Audit Fee:

- The Office of the Comptroller currently audits 89 counties in the state. The six counties not audited by the Comptroller are: Shelby, Davidson, Knox, Hamilton, Washington, and McMinn.
- According to the 2010 United States Census, the total population in the 89 counties audited by the Comptroller is 3,847,846. Current annual collections from the \$0.30 per capita fee are estimated to be \$1,154,354 ($3,847,846 \times \0.30).
- A new federal Census will be performed in 2020, resulting in adjustments in the county population, and therefore the annual collections from the per capita fee. For the purposes of this fiscal note, it is assumed that population in counties audited by the Comptroller will increase from 2010 to 2020.
- The following fee per capita estimates are based on the assumption that the fee will be rounded to the nearest cent in any given year.
- Increasing the per capita fee to \$0.36 in FY16-17 and by an additional three percent in each subsequent year is estimated to result in collections of: \$1,385,225 in FY16-17 ($3,847,846 \times \0.36); \$1,423,703 in FY17-18 [$3,847,846 \times (\$0.36 \times 103\%)$]; \$1,462,181 in FY18-19 [$3,847,846 \times (\$0.36 \times 103\% \times 103\%)$]; \$1,500,660 in FY19-20 [$3,847,846 \times (\$0.36 \times 103\% \times 103\% \times 103\%)$]; and an amount estimated to exceed \$1,539,138 in FY20-21 and subsequent years [at least $3,847,846 \times (\$0.36 \times 103\% \times 103\% \times 103\% \times 103\%)$].
- The increase in state revenue to the General Fund, and an equivalent increase in local expenditures, is estimated to be: \$230,871 in FY16-17 ($\$1,385,225 - \$1,154,354$); \$269,349 in FY17-18 ($\$1,423,703 - \$1,154,354$); \$307,827 in FY18-19 ($\$1,462,181 - \$1,154,354$); \$346,306 in FY19-20 ($\$1,500,660 - \$1,154,354$); and to exceed \$384,784 in FY20-21 and subsequent years ($\$1,539,138 - \$1,154,354$).

Assumptions relative to the Recordation Tax Revenue Redistribution:

- Pursuant to Tenn. Code Ann. § 67-4-409(a), a recordation tax of \$0.37 per \$100 is imposed on all transfers of realty.
- The allocation to such funds under current law is: \$0.0325 of the \$0.37 tax to the WAF; \$0.0175 to the LPLAF; \$0.0150 to the SLAF; and \$0.0150 to the ARCF.
- Five percent of the total collections is retained by county registers (52 percent of which is subsequently remitted to the state General Fund); an additional \$1.00 per receipt is retained by county registers. The remainder of the tax collections is deposited to the state General Fund.
- The proposed legislation will allocate, beginning in FY15-16, 50 percent of any annual growth in collections that is currently deposited in the WAF, LPLAF, SLAF, and ARCF,

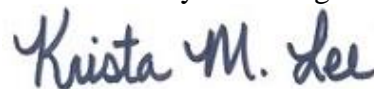
to the Tennessee Civil War or War Between the States Site Preservation Fund (64 percent of the 50 percent of the increase) and the Historic Property Land Acquisition Fund created by this Act (36 percent of the 50 percent of the increase).

- Revenue to the General Fund or county registers will not be impacted.
- Growth rates for recordation tax collections in the last four fiscal years have been as follows: 13.75 percent in FY11-12; 16.25 percent in FY12-13; 14.27 percent in FY13-14; and 14.66 percent in FY14-15.
- As of February 2016, total recordation tax collections growth in FY15-16 is approximately 13 percent year-to-date. Assuming perpetual growth of 13 percent, the total growth in recordation tax collections in FY15-16 is estimated to be approximately \$16,537,700.
- After distributions to the county registers, it is estimated that approximately \$15,000,000, or \$405,405 for each \$0.01 of tax [$(\$15,000,000 / \$0.37) \times \0.01], would be growth in collections available for distributions to the affected funds.
- The recurring decreases in revenue, beginning in FY15-16, is estimated as follows:
 - \$658,783 for the WAF ($\$405,405 \times 3.25 \times 50\%$);
 - \$354,729 for the LPAF ($\$405,405 \times 1.75 \times 50\%$);
 - \$304,054 for the SLAF ($\$405,405 \times 1.5 \times 50\%$);
 - \$304,054 for the ARCF ($\$405,405 \times 1.5 \times 50\%$);
 - The total recurring decrease for all funds is estimated to be \$1,621,620 ($\$658,783 + \$354,729 + \$304,054 + \$304,054$).
- The recurring increase in state revenue to the Tennessee Civil War or War Between the States Site Preservation Fund, beginning in FY15-16, is estimated to be \$1,037,837 ($\$1,621,620 \times 64\%$); and the recurring increase in state revenue to the Historic Property Land Acquisition Fund, beginning in FY15-16, is estimated to be \$583,783 ($\$1,621,620 \times 36\%$).

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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